

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE

June 19, 2007 at 1:00 p.m.

Room W135, House Building, State Capitol Complex

Members Present: Sen. Lyle Hillyard, Co-Chair
Rep. Ron Bigelow, Co-Chair
Rep. Rebecca Lockhart, Vice Chair
Sen. Curtis Bramble
Sen. Gene Davis
Sen. Mike Dmitrich
Sen. Patricia Jones
Sen. Sheldon Killpack
Sen. Ed Mayne
Pres. John Valentine
Rep. Ralph Becker
Rep. David Clark
Rep. Brad Dee
Rep. Brad King
Rep. David Litvak
Rep. Carol Spackman Moss

Members Excused: Sen. Peter Knudson, Vice Chair
Sen. Dan Eastman
Speaker Greg Curtis
Rep. Gordan Snow

Staff Present: John Massey, Director, LFA
Greta Rodebush, Legislative Secretary

Speakers Present: Tanielle Young, Governor's Office of Planning and Budget
Jeff Galli, Utah State Office of Education
Dr. Lynn Brasher, Department of Corrections
Dr. Richard Fowles, University of Utah
Gary Wixom, Utah State Board of Regents
Dr. Andrea Wilko, LFA
Danny Schoenfeld, LFA
Mike Styler, Department of Natural Resources
James Karpowitz, Division of Wildlife Resources
Todd Adams, Division of Water Resources

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order - Approval of Minutes

Committee Co-Chair Hillyard called the meeting to order at 2:15 p.m.

A motion was not taken on the minutes for May 15, 2007 at this time.

2. Federal Funds Report

Tenielle Young, Governor's Office of Planning and Budget, presented the Federal Funds Report for the period May 1, 2007 through May 31, 2007. She briefly explained one new grant requiring legislative action with the Utah Department of Environmental Quality: Wetland Program Development Grant. The grant has a federal annual award of \$497,000 with a match of \$94,250 from existing program expenses. In addition to the new grant, there was one reapplication of an existing grant requiring legislative action. Ms. Young also noted that one new grant and two reapplications of an existing grants have been approved by the Governor's Office.

A motion was not taken on the Federal Funds Report at this time.

3. Report on Prison Education Programs and Funding

Jeff Galli, Corrections Education Specialist, Utah State Office of Education, addressed the committee and spoke on the continuing efforts of the Department of Corrections and Public Education and Higher Education in providing a seamless transition in educating offenders as they move within the system and onto the street.

Dr. Richard Fowles, Department of Economics, University of Utah, presented findings from two reports: "The Utah 2006 Partial Census of Parolees," and "An Economic View of Life on Parole." Dr. Fowles researched the rates of recidivism for prisoners that participated in prison education programs, compared recidivism rates with prisoners that did not participate in education programs, and assessed the economic situation of individuals on parole.

Mr. Fowles pointed out that prior Utah studies have consistently shown that parolees who participate in educational programs such as high school, vocational studies, and college have a substantially lower recidivism rate than parolees who have not participated. This particular study examined a number economic factors as well as social networking and living conditions that can influence whether or not a parolee transitions successfully following incarceration.

Dr. Fowles presentation included data highlights on the socio-economic-demographic characteristics of parolees. He concluded that parolees in general are not economically well off. Education enhances parolees' prospects of acquiring a job and the amount of wages they earn; however, other economic demands such as restitution, child support, and rent have a direct impact on recidivism rates.

Sen. Hillyard asked if there were any special funding needs in corrections education at this time. Gary Wixom, Assistant Commissioner, Utah State Board of Regents, explained that there are three funding streams for Corrections Education: a base appropriation of \$385,700 for FY 2007,

a one-time allocation of \$100,000 in FY 2006, and the FY 2007 telephone surcharge with collections amounting to \$668,300. Mr. Wixom explained that the funding does not cover all the educational training expenses. He said that some institutions have been able to subsidize the training through general operating budgets while other institutions have limited the amount of services equal to the institutional allocation.

Sen. Hillyard asked if private individuals can donate money towards educational programs for specific prison inmates. Mr. Wixom said that the institutions have the capability to receive earmarked dollars from private donors.

Sen. Hillyard asked if funds can follow a prisoner once they have left prison and are assigned to a halfway house. Mr. Wixom stated that a prisoner can continue with his/her education programs but would be subject to the regular tuition costs of the institution.

Sen. Hillyard asked if there were waiting lists for these programs. Jeff Galli responded that educational programs are in high demand. 40% of probationers and parolees do not have a high school diploma. Mr. Galli also pointed out that inmates in jail programs also take advantage of these educational programs as well. As far as educational funds following a prisoner, Mr. Galli noted a small federal scholarship that parolees can use. When inmates are released from prison or jail, parolees are eligible for federal Pell Grants to help pay for their education.

Sen. Jones asked what percent of those who are released actually get a high school diploma. Mr. Galli explained that along the Wasatch Front in Regions 3 and 4, there are aggressive programs set up to involve parolees in an educational program. Further, by law, if a parolee seeks for an early release, he/she must earn either a diploma or GED.

Sen. Mayne expressed his appreciation for the report. He cited examples in the construction industry where inmates, through education and training, have been able to earn a living wage and receive health care and other benefits as well.

A motion was taken on the minutes and the Federal Funds Report.

MOTION: Co-Chair Bigelow moved to approve the minutes of May 15, 2007. The motion passed unanimously with Pres. Valentine, Sen. Bramble, Sen. Davis, and Rep. Litvak absent for the vote.

MOTION: Co-Chair Bigelow moved to approve the one new grant and one reapplication of an existing grant requiring legislative action listed in the Federal Funds Report for the period May 1, 2007 through May 30, 2007. The motion passed unanimously with Sen. Bramble, Sen. Davis, and Rep. Litvak absent for the vote.

4. Review of Revenue Estimates

In last month's Executive Appropriations Committee meeting, revenue reporting dates for the Revenue Assumptions Committee were changed from May to June and from September to October in order to more closely align with the reporting of economic indicators.

Dr. Andrea Wilko, LFA, addressed the committee, calling attention to the Revenue Update publication's new format beginning with Volume 1, Issue 1, June 19, 2007. Dr. Wilko pointed out that Utah's economic outlook has improved since the February estimate and as a result, revenue collections are higher than expected. General Fund revenues are expected to exceed the February target by \$58 to \$85 million in FY 2007 and the Education Fund is expected to exceed the February target by \$102 million to \$175 million for that same year. The enhanced growth is the result of growth in population, income and employment, low interest rates, and non-residential construction.

Dr. Wilko noted two disclaimers. First, before a final year end surplus is computed, a portion of the over target revenues will be earmarked for the Rainy Day Fund, the Disaster Recovery Fund, the Industrial Assistance Fund, etc. Secondly, collection patterns have shifted noticeably from the past ten year trend which has added some uncertainty to the forecast range. The shift can be attributed to a number of factors including: transfers, tax reductions, and changes in reporting systems.

All key economic indicators are showing growth. She expects Utah's economy to be one of the fastest growing in the nation for 2007 and 2008.

Dr. Wilko continued with a review of General, Education, and Transportation fund revenues:

- *Most of the growth in the General Fund is in the sales tax, along with significant growth in investment income.*
- *Retail sales are growing as a result of strong employment and wage growth. Personal income growth and sales tax are growing by 9 % in the current fiscal year.*
- *There is a reduction in sales tax revenue by approximately \$69 million due to the reduction in the sales tax rate on non-prepared food from 4.75% to 2.75%.*
- *Ninety percent of the growth in the Education Fund is coming from personal income enhanced by wage and growth. In addition, there is growth in non-wage income categories, particularly, capital gains from stock and real estate markets.*
- *Corporate taxes are expected to exceed forecasts by \$7 to \$25 million in FY 2007 and corporate revenue in FY 2008 is expected to range from a loss of \$5 million to an*

increase of \$22 million.

- *All sources of revenue for the Transportation fund, motor fuel tax, special fuel tax, and vehicle registrations are showing increases. Net transportation fund revenues should be \$15.8 million to \$18.8 million over the February target.*

Dr. Wilko highlighted key economic indicators driving Utah's economy: namely, wages and employment, inflation and consumer sentiment, retail and construction.

- *Employment growth will continue to be robust. The year over increase expected for FY 2007 is 4.5% with some moderation expected in FY 2008 of 3.3 percent.*
- *Construction employment will boom as many non-residential projects start. Construction currently makes up approximately 9 percent of total employment compared to the historical average of 5.7 percent*
- *Wages are expected to grow by 10.2 percent in FY 2007 and by 7.7 percent in FY 2008.*
- *Consumer sentiment is on the rise because of booming employment and a strong stock market.*
- *Inflation is expected to remain at low levels for both 2007 and 2008.*
- *Housing prices continue to appreciate at over 10 percent annually, the fastest rate in the nation.*
- *New residential construction value fell by 7.2 percent and is expected to continue this direction in FY 2008. However, record levels of non-residential construction should help to offset the downturn.*
- *Retail sales growth is expected to be 9.2 percent for 2007 but moderate to 5.4 percent in 2008, partially as a result of tax changes enacted in the last legislative session.*

Dr. Wilko concluded her presentation.

Sen. Bramble commented on the growth trends of the key economic indicators. Even though there is some slowing in growth, Utah's economy remains solid compared to historical economic data. Dr. Wilko confirmed that Utah is well above historical averages, even with the moderations.

Pres. Valentine asked Dr. Wilko to comment on the variation in severance taxes and corporate income taxes for this month's TC-23 as compared to last month's TC-23. Dr. Wilko explained that typically there is a 1 percent variation between the 11th and 12th month. In this case though, economists are seeing a 3 percent variation between the 10th and 11th month. The 12th month will be monitored closely with the expectation that this is an aberration, which may be attributed to tax changes, changes in the collection systems, and transfers.

Pres. Valentine praised the new format and approach to revenue reporting in that it represents the consensus of the several economists. He expressed his appreciation to Dr. Wilko in spearheading this effort.

Sen. Mayne stated that despite slowing national trends, Utah's economy will continue to remain strong.

Sen. Jones asked what role the dual tax is playing in the volatility of these numbers. Dr. Wilko clarified that the dual tax does not take effect until 2008 and that the only change they are seeing in the income tax right now is the change in the brackets and reduction of the top rate. In FY 2008, beginning July 1, 2007, we will see the effect of the change in the brackets plus the allowing for an election of a 5 percent flat tax rate. In 2009, you will see the impact of moving to the modified flat tax system. All these changes are currently working their way through the system and will have an impact.

Sen. Hillyard asked when the final figures on the budget surplus are available. Dr. Wilko stated that preliminary numbers will be available in August, while final budget surplus figures are available in September.

5. State Support to Local Governments

Danny Schoenfeld, LFA, addressed the committee. He explained the handout: "Summary of State Support to Local Governments in FY 2008," which provides a short descriptor of programs receiving state aid, the amount of state aid received, and the type of support. Mr. Schoenfeld informed the committee that in FY 2008, the state of Utah will provide an estimated \$301 million in aid to local governments. Of this amount, \$285 million is ongoing and \$16 million is one-time. State aid will come in the form of direct financial, mandated, contracted, pass through, and in-kind support.

Mr. Schoenfeld indicated that the Office of the Legislative Fiscal Analyst will provide periodic updates to the Summary of State Support to Local Governments as new programs or initiatives are undertaken.

Rep. Lockhart asked if public schools are considered local government. Mr. Schoenfeld confirmed that they are; however, information regarding state support for Public Education

provided by school districts and charter schools was excluded from this report. He indicated that this information can be added as a subsection to the report. Rep. Lockhart requested that state support for Public Education be broken down by school district as well.

6. Quagga Mussels Advisory

Mike Styler, Executive Director, Department of Natural Resources, addressed the committee. He was assisted by Jim Karpowitz, Director, Division of Wildlife Resources, and Todd Adams, Division of Water Resources.

Mr. Karpowitz reviewed the biology of the quagga mussel and the devastating impact that they can cause to Utah's water delivery systems, recreational lakes, and fisheries. Quagga mussels are small oyster-like animals that live in dense colonies. They encrust hard surfaces, clog power plant and public-water intakes and pipes, and attach to aquatic recreational equipment.

Quagga mussels came originally from Europe, appeared first in the Great Lakes, and are spreading rapidly throughout the East Coast, and the river systems in the Midwest, including the Mississippi River. In January 2007, mussels were found in the lower Colorado River Basin, in lakes Mead, Mohave, and Havasu. Utah's proximity to these lakes suggests that Utah's waterways are at risk.

Mr. Karpowitz explained that mussels move by drifting downstream, and by boats transferred from infested to non-infested waters. They easily adapt to all types of water conditions. The Department of Natural Resources reports that 5 Utah waterways are in the top 20 destinations of Lake Mead boaters. These waterways include: Lake Powell, Pineview Reservoir, Bear Lake, Willard Bay, and Jordanelle Reservoir.

Currently, the Department is working to prevent the spread of mussels to Utah through a public education program and law enforcement efforts. To further this goal, they seek additional funding, totaling \$1.65 million to hire 3 full time employees, monitor fisheries, enhance law enforcement, hire 39 seasonal watercraft inspectors, and provide community education and outreach.

Sen. Bramble asked if quagga mussels were found in Lake Powell. Mr. Karpowitz stated that he is not aware of any, but they could be there; it takes about four years to develop into the adult stage of the shell.

Mr. Styler explained that there are a number of ways to eliminate the mussels once they are discovered. Mussels can be killed by drying them out over a 3-5 day period, steam cleaning boats at high temperatures, or using chemicals such as potassium chloride.

Sen. Hillyard asked if there was any control mechanism for the mussels when they are reproducing. Mr. Karpowitz was not aware of any natural or chemical means of controlling the mussels at that point in time.

Sen. Hillyard asked about the time line for funding. Mr. Styler stated that they would need funding as soon as possible to purchase some equipment and hire seasonal and full time employees. This would require supplemental funding.

Pres. Valentine asked for more specificity on what the \$1.65 million would be used for. Mr. Karpowitz clarified that initially, one FTE would be hired in the aquatics section to study, organize, and provide scientific outreach. A second FTE would develop a website and materials for a massive scale information and education program. In addition, 39 seasonal and some full time law enforcement personnel would be hired to inspect watercraft before and after entering lakes. Mr. Karpowitz also mentioned the use of vehicles and the purchase of 40 remote high temperature sprayers to disinfect boats.

Pres. Valentine stated that before any monies could be approved, a detailed breakdown of expenditures would be required.

Sen. Hillyard invited Mr. Karpowitz to comment on the fatal death of an eleven year old boy who was killed by a black bear in the Uintahs. Mr. Karpowitz explained that a bear sighting had been reported Saturday morning, and subsequently, a search was begun to find and remove the bear. Unfortunately, the bear was not found. Sometime late Sunday night or early Monday morning, the tragic accident occurred. On Monday, the bear was shot and killed. Based on findings of the State Veterinary Diagnostic Lab and the State Crime Lab, it has been determined that this was the bear in question.

All parties involved are greatly saddened by this unfortunate accident. This is the first fatal black bear incident to have occurred in Utah. A handful of bear attacks have occurred over the years, but none of them fatal. Hot, dry years seem to escalate the bear problem as they come into camps, towns, and cities looking for food and water. This year, there are currently problems in north and northeastern Utah. The Department is working hard to address those problems in accordance with policy.

Sen. Hillyard called for other business. Mr. Styler indicated that the Department will prepare a detailed list of proposed expenditures and make it available to the President, the Speaker, and the Co-Chairs of Executive Appropriations.

MOTION: Co-Chair Bigelow moved to adjourn. The motion passed unanimously.

Co-Chair Hillyard adjourned the meeting at 3:15 p.m.